

**Supplemental Comments of Eric D. Baker  
Wolverine Power Cooperative  
Michigan House of Representatives Energy & Technology  
Committee**

*Presented on February 21, 2007*

**Introduction**

Chairman Accavitti, and Honorable Members of the House Energy & Technology Committee, thank you for the opportunity to appear before you this morning. My name is Eric D. Baker and I am the President & CEO of Wolverine Power Cooperative (Wolverine). I would like to thank Chair Accavitti for this opportunity to present supplemental comments in addition to Wolverine's presentation on the Wolverine Clean Energy Venture in Rogers City, Michigan. The current energy policy debates will help to shape Michigan's competitive future.

Wolverine applauds the efforts of the Michigan Public Service Commission along with the various stakeholder groups who contributed thousands of hours to the 21<sup>st</sup> Century Energy Plan. This study develops a thorough and factual representation of the current and future supply situation in Michigan, while contemplating various conservation, renewable and traditional supply and transmission solutions to Michigan's future energy needs. The study resulted in a factual foundation on which important policy debates can occur.

The 21<sup>st</sup> Century Energy Plan thoroughly explains the need for new generation and Wolverine feels that its Clean Energy Venture in Rogers City will be an important *part of Michigan's future*. Additional base load generation *must* be built *in Michigan*. The last major base load coal facility built in Michigan was Belle River (circa 1984-

1985). Since the time of its construction, the demand for electricity in Lower Michigan has almost doubled. If a new coal plant commenced construction today, it will not be operational ***before 2011***. By that time, the average age of Michigan generation fleet will approach 50 years old! Michigan must move quickly if it is to maintain its reliable electric system—which is essential for Michigan’s competitiveness.

### **Supplemental Comments**

Wolverine offers the following points regarding future policy development in light of the 21<sup>st</sup> Century Energy Plan findings:

***New Generation is Vital*** – Coal is the most abundant fuel source in the United States. We have several hundred years of fuel supply in this country. Coal has an essential role to play in reducing the reliance of the United States on imports of foreign oil. New coal generation can also provide an important bridge to serve Michigan while its larger utilities explore the feasibility of nuclear power. Nuclear generation has an important role to play in Michigan’s future, and Michigan should do everything it can to assure Michigan gets in line for appropriate Federal guarantees contemplated in the Energy Policy Act of 2005.

The capacity additions of the late-1990s were primarily natural gas-fired peaking and combined-cycle plants. These plants enjoyed fast permitting, short construction periods and relatively easy design specifications. They have provided an enormous benefit to Michigan by improving reliability. However, these plants ***cannot*** compete with coal and nuclear for base load operation unless, and until, natural gas prices drop and consistently stay below \$4.00/mmBTU.

***New Coal Generation is More Efficient and Cleaner than Most Existing***

***Generation*** – Current siting rules, environmental rules and transmission rules conspire to create barriers to entry for new generation sources. New plants are 20-30% more efficient than older plants, and significantly cleaner – as much as ten times cleaner. Public policy that continues to thwart the construction of new, state-of-the-art power plants has the unintended consequence of needlessly prolonging the life of older, less efficient plants that do not compare favorably to the emissions profile of new generation.

***Renewable Generation is Vital*** – Renewable generation has an important role to play in Michigan's energy future. Renewable generation is more expensive today than other forms of generation – let's get over it. All forms of generation have their strengths and weaknesses. Instead of endless and unhelpful debate about relative strengths, Michigan utilities should move forward to encourage the development of renewable resources in Michigan. Wolverine is willing to sign a significant long-term purchase power agreement for wind energy in Michigan. In addition, the 21<sup>st</sup> Century Energy Plan suggests certain changes to Customer Choice to make it more viable. Wolverine generally concurs with these suggestions. Customer Choice provides another avenue for customers to obtain competitive renewable energy supply.

***Wolverine's Clean Energy Venture in Rogers City will Play an Important Role in Addressing Michigan's Future Generation Needs*** – Wolverine has been pursuing

base load generation options in Michigan for nearly five years for its member-cooperatives and the more than 500,000 state residents they serve. We have been quietly working on the Wolverine Clean Energy Venture for nearly two years. Wolverine has received all necessary zoning and the Rogers City community is extremely supportive of

the project. This project will generate tax revenue, investment and new high-paying jobs in a part of Michigan that is sorely in need of economic development.

***High Barriers to Entry Still Exist for New Generation*** – Traditional and renewable power plant development today is significantly slower, more costly and more complicated than it was when the existing fleet of base load generation was constructed 30-50 years ago. While these challenges are not insurmountable, they do delay construction and make it virtually impossible to have any certainty as to the ultimate construction costs and commercial operation date of any proposed base load plant.

Transmission rules tie the hands of transmission owners and create delays and needless complexity in the planning process for new generation projects. Large scale, central station generation is still the most cost-effective way to generate electricity and will remain as such for the foreseeable future. Central station generation ***must have*** transmission to get its power to the load centers. Conversely, without central station generation, transmission has minimal purpose. Therefore, transmission owners must have the flexibility to implement rules that reduce these barriers to entry.

***Public Power has a Key Role to Play*** – Wolverine and its member-owners, as cooperatives, operate solely for, and on behalf of, their ratepayers. Wolverine as a customer-owned power supply entity is motivated to develop reliable power supply at the lowest possible cost; it does not have stockholders and therefore, does not have the stockholder/ratepayer conflict that the investor-owned utility has. Certain proposed legislation, such as competitive bidding, may have the ***unintended consequence*** of raising the overall project price. In this light, a not-for-profit entity may be the ideal ownership structure for new generating plants in the state.

## **Closing**

I would like to thank Chair Accavitti and the Members of this Committee for the privilege of appearing before you today. It has been my pleasure to address the House Energy & Technology Committee and I look forward to the opportunity to participate in future discussions on energy policy. Mr. Chair, I would be happy to answer your questions or those from the Honorable Members of this Committee.